BLOG POST
Getting Late in the Late Cycle
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While timing an economic downturn with any precision has proven difficult if not impossible (economists have predicted 5 of the last 3 recessions), there are signals of where we are in the economic cycle for those who care to pay attention. The signals today suggest we are near the end of the late cycle, with an economic downturn likely sooner rather than later. Not only are delinquencies moving higher as seen in the chart, bank lending standards are tightening, making it harder for companies to access credit. The Fed is cutting rates in an attempt to stimulate loan growth, but lenders are not cooperating. Add to the mix that the latest consumer confidence surveys suggest people are more optimistic about their current situation than confident about the future — an ominous sign for growth.

- Corporate profits as a share of GDP peaked in 2015 and have been falling since, even as stock prices march higher in a compelling sign we are at a very late stage in the cycle.
- A leading indicator that is often ignored is the utilization of temporary staffing positions. The growth rate has turned negative by the largest amount in over a ten-year period.
- The gap between consumer confidence and corporate confidence has reached levels consistent with prior recessions, as CEO's start to retrench before consumers are impacted.